

Economically Disadvantaged Appeal

Chapter **4.7**

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Economically Disadvantaged Appeal

34 CFR 668.194

What is an economically disadvantaged appeal?

An economically disadvantaged appeal is an appeal alleging that a school should not be subject to cohort default rate sanctions because it has a high number of low income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on placement rates and an economically disadvantaged appeal based on completion rates.

The type of economically disadvantaged appeal a school may submit depends on whether the school is a non-degree granting school or a degree granting school. In order for an economically disadvantaged rate appeal to be successful, a non-degree granting school must submit an independent auditor's written opinion that

- ❖ the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ❖ the school's placement rate (generally, the percentage of students who became employed in the occupation for which the school trained them) is 44 percent or more.

In order for an economically disadvantaged rate appeal to be successful, a degree granting school must submit an independent auditor's written opinion that

- ❖ the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ❖ the school's completion rate (generally, the percentage of students who completed their program) is 70 percent or more.

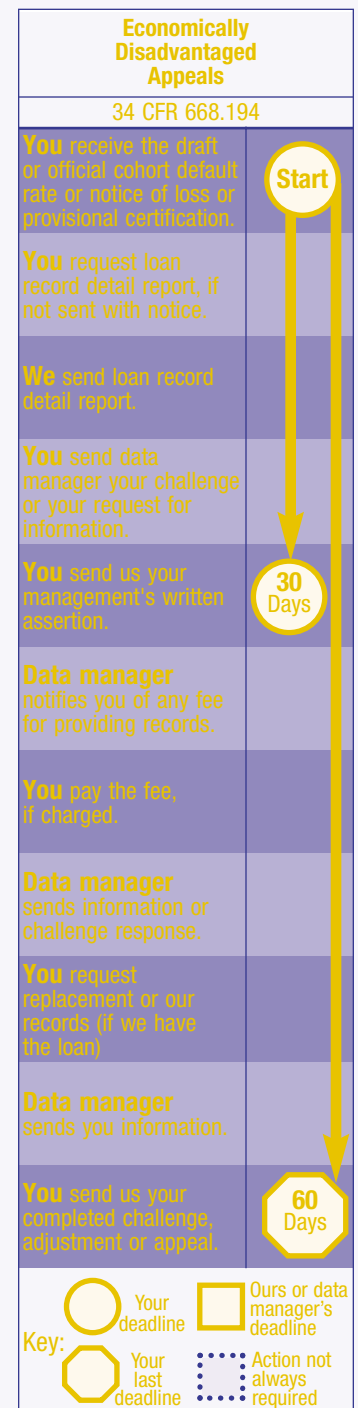
Timing is critical when submitting an economically disadvantaged appeal. A school must send its management's written assertion to Default Management within 30 calendar days of receiving the notice of loss of eligibility. The school must send an independent auditor's written opinion to Default Management within 60 calendar days of receiving the notice of loss of eligibility. Figure 4.7.1 shows the time frame for submitting an economically disadvantaged appeal.

What benefit will a school gain from submitting an economically disadvantaged appeal?

If the economically disadvantaged appeal is successful, the school will not be subject to official cohort default rate sanctions. However, a successful economically disadvantaged appeal does not change a school's official cohort default rate.

Figure 4.7.1

Time Frame for Submitting an Economically Disadvantaged Appeal



Are economically disadvantaged appeals based on a specific period of time?

Economically disadvantaged appeals are based on a selected 12-month period. To calculate a low income rate, a school first determines the 12-month period it will use in the calculation. The school must base the economically disadvantaged appeal on any 12-month period that ended during the six months immediately preceding the start of the current cohort default fiscal year.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end sometime between April 1 and September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Figure 4.7.2

Acceptable 12-Month
Period Table

Fiscal Year	Fiscal Year Start Date	Acceptable 12-month Period Begins Between	Acceptable 12-month Period Ends Between
FY99	10/01/98	04/02/97 - 10/01/97	04/01/98 - 09/30/98
FY00	10/01/99	04/02/98 - 10/01/98	04/01/99 - 09/30/99
FY01	10/01/00	04/02/99 - 10/01/99	04/01/00 - 09/30/00
FY02	10/01/01	04/02/00 - 10/01/00	04/01/01 - 09/30/01
FY03	10/01/02	04/02/01 - 10/01/01	04/01/02 - 09/30/02
FY04	10/01/03	04/02/02 - 10/01/02	04/01/03 - 09/30/03
FY05	10/01/04	04/02/03 - 10/01/03	04/01/04 - 09/30/04

Figure 4.7.2 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, the school picks a start date from the range listed in the "Acceptable 12-month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-month Period Ends Between" column. Figure 4.7.3 shows an acceptable and some unacceptable 12-month periods for FY01.

Figure 4.7.3

Acceptable and
Unacceptable 12-Month
Periods for FY01

12-Month Period	Status	Reason
04/02/99-04/01/00	Acceptable	Starts within acceptable range; ends 12-months later within acceptable range
04/02/99-04/02/00	Unacceptable	Starts within acceptable range; ends more than 12-months later
04/01/99-03/31/00	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available. In other words, a school can determine which acceptable 12-month period has the highest number of low income students and use that 12-month period when calculating its low income rate.

If a school selects an unacceptable 12-month period, Default Management will not review any portion of the school's participation rate index appeal and the participation rate index appeal will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

***A school can
select the most
beneficial
12-month period
available***

How does a school calculate its low income rate?

After selecting the 12-month period, the school determines the number of students who were enrolled in an eligible program during the 12-month period. To be included in the calculation, the student must have been enrolled at least half-time and enrolled at least one day during the selected 12-month period. The school then determines the number of these students who were considered low income.

A student is considered low income if

- ❖ for an award year that overlaps the selected 12-month period, the student has an expected family contribution (EFC) that is equal to or less than the largest EFC that would allow a student to receive one-half of the maximum Federal Pell Grant award, regardless of the student's enrollment status or cost of attendance, or
- ❖ for a calendar year that overlaps the selected 12-month period, the student has an adjusted gross income (AGI) that, when added to the AGI of the student's parents (if the student is a dependent student) or spouse (if the student is a married independent student), is less than the amount listed in the Department of Health and Human Services (HHS) poverty guidelines for the size of the student's family unit.

The current poverty level guidelines can be found on the HHS Web site at

<http://aspe.os.dhhs.gov/poverty/poverty.htm>

To determine the low income rate, the school divides the number of low income students enrolled at least half-time and enrolled at least one day during the selected 12-month period (the numerator) by the total number of students enrolled at least half-time and enrolled at least one day during the selected 12-month period (the denominator). The result is the low income rate.

$$\begin{array}{|c|} \hline \text{Low income students} \\ \text{enrolled at least} \\ \text{half-time and enrolled} \\ \text{at least one day} \\ \text{during the selected} \\ \text{12-month period} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Total regular students} \\ \text{enrolled at least} \\ \text{half-time and enrolled} \\ \text{at least one day} \\ \text{during the selected} \\ \text{12-month period} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Low} \\ \text{income} \\ \text{rate} \\ \hline \end{array}$$

In order for the economically disadvantaged appeal to be successful, the low income rate must be at least two-thirds.

$$\begin{array}{r} 140 \text{ low income students} \\ \div \\ 200 \text{ regular students} \\ = \\ 70 \text{ percent} \\ \text{low income rate} \end{array}$$

For example, a school had a total of 200 regular students enrolled at least half-time and enrolled at least one day during the selected 12-month period. Of those, 80 were eligible to receive at least one-half of the maximum Federal Pell Grant and 60 other students were below the poverty level. Therefore, a total of 140 students are considered economically disadvantaged. The school's low income rate is 70 percent.

How does a non-degree granting school calculate its placement rate?

As mentioned, only non-degree granting schools can submit an economically disadvantaged appeal based on the school's low income rate and placement rate. Degree granting schools can only submit an economically disadvantaged appeal based on the school's low income rate and completion rate. For information on calculating a completion rate, see the section of this chapter entitled "How does a degree granting school calculate its completion rate?"

When calculating placement rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the number of former regular students initially enrolled on at least a half-time basis in an eligible program who meet the following criteria:

- ❖ The student was originally scheduled to complete his or her program during the selected 12-month period. The student's actual last date of attendance does not need to fall within the selected 12-month period.

The date a student was originally scheduled to complete is based on the student's initial enrollment status. For a student who was initially enrolled full-time, the date is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for completion of the program. For a student who was initially enrolled less than full-time, the date is based on the amount of time it would take the student to complete the program if the student remained enrolled in that enrollment status throughout the program.

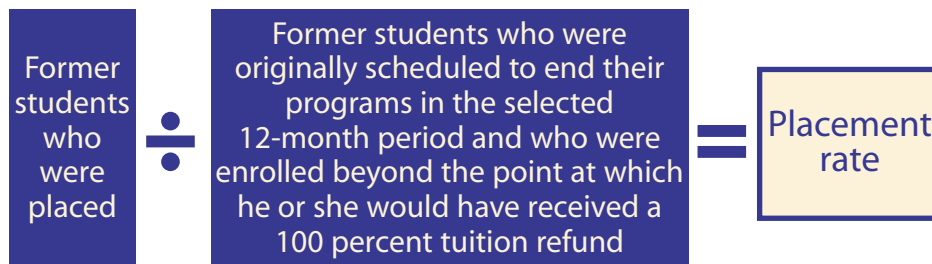
- ❖ The student was enrolled beyond the point at which he or she would have received a 100 percent tuition refund. A student who withdrew before the point at which he or she would have received a 100 percent tuition refund is not included in the calculation.

After determining the number of students who meet these criteria, the school then determines how many of these students have been placed. A student is considered placed if the student meets one of the following three criteria:

- ❖ The student is employed on the date that is one year and one day after the student's last date of attendance in an occupation for which the school provided training. For example, if the student's last date of attendance was August 31, the date that is one year and one day after the student's last date of attendance is September 1 of the following year. A student is not considered successfully placed if the school is the employer.
- ❖ The student was employed for at least 13 weeks (91 days) between the date the student first enrolled and the date that is one year and one day after the student's last date of attendance in an occupation for which the school provided training. A student's employment while in school can be considered as long as the employment is relevant to the training the student received at the school. A student is not considered successfully placed if the school is the employer.
- ❖ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

A student is not included in the placement rate if he or she is still enrolled in the same program and is making satisfactory progress.

The school then divides the number of former students who met one of these criteria (the numerator) by the total number of former students who were originally scheduled to end their programs in the selected 12-month period and who were enrolled beyond the point at which he or she would have received a 100 percent tuition refund (the denominator). The result is the placement rate.



In order for the appeal to be successful, the placement rate must be at least 44.0 percent.

$$\begin{array}{r} 25 \text{ placed students} \\ \div \\ 50 \text{ former students} \\ = \\ 50 \text{ percent} \\ \text{placement rate} \end{array}$$

For example, a school had a total of 50 former students who were originally scheduled to end their programs in the selected 12-month period. Of those, 17 met the first criteria (employed on the date one year and one day after the last date of attendance), 6 met the second criteria (employed for 13 weeks), and 2 met the third criteria (Armed Services). Therefore, a total of 25 students met one of the criteria. The school's placement rate is 50 percent.

How does a degree granting school calculate its completion rate?

As mentioned, only degree granting schools can submit an economically disadvantaged appeal based on the school's low income rate and completion rate. Non-degree granting schools can only submit an economically disadvantaged appeal based on the school's low income rate and placement rate. For information on calculating a placement rate, see the section of this chapter entitled "How does a non-degree granting school calculate its placement rate?"

When calculating completion rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the number of regular students initially enrolled on a full-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the selected 12-month period. The date a student was originally scheduled to complete is based on the student's initial enrollment status.

- ❖ For a student who was initially enrolled full-time, the date is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for completion of the program.

- ❖ For a student who was initially enrolled less than full-time, the date is based on the amount of time it would take the student to complete the program if the student remained enrolled in that enrollment status throughout the program.

A student's actual last date of attendance does not need to fall within the selected 12-month period.

The school then determines how many of these students completed a program. A student is considered to have completed a program if the student meets one of the following four criteria:

- ❖ The student completed the educational program in which he or she was enrolled.
- ❖ The student transferred to a higher level program.
- ❖ The student remained enrolled and was making satisfactory academic progress at the end of the selected 12-month period.
- ❖ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

The school then divides the students who met one of these four criteria (the numerator) by the total number of students who were originally scheduled to complete their programs in the selected 12-month period (the denominator). The result is the completion rate.

$$\begin{array}{|c|} \hline \text{Students who} \\ \text{completed their} \\ \text{program} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Student who were} \\ \text{originally scheduled to} \\ \text{complete their programs} \\ \text{in the selected} \\ \text{12-month period} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Completion} \\ \text{rate} \\ \hline \end{array}$$

In order for the appeal to be successful, the completion rate must be at least 70.0 percent.

For example, a school had a total of 50 former students who were originally scheduled to complete their programs in the selected 12-month period. Of those, 17 met the first criteria (completed the program in which they were enrolled), 12 met the second criteria (transferred to a higher-level program), 8 met the third criteria (still enrolled and making satisfactory academic progress), and 2 met the fourth criteria (Armed Services). Therefore, a total of 39 students met one of the criteria. The school's completion rate is 78 percent.

$$\begin{array}{r} 39 \text{ completed students} \\ \div \\ 50 \text{ total students} \\ = \\ 78 \text{ percent} \\ \text{completion rate} \end{array}$$

School Name: Graphic Tech
 OPE ID: 999999
 Selected 12-Month Period: 06/15/2000 - 06/14/2001
 Award Years: 1999-2000 and 2000-01
 Calendar Years: 2000 and 2001
 Economically Disadvantaged Students (Column D): 140
 Total Students (Column A): 200
 Low Income Rate (Column D / Column A): 70%

FY 2002 Low Income Rate Spreadsheet

	A	B	C	D	E	F
1	Student's SSN	Student's Name	Student's Enrollment Dates	Economically Disadvantaged	EFC and Award Year	AGI, Family Size, and Calendar Year
2	111-11-1111	Siebert, Angela	08/25/2000 – 12/30/2000	x	0 / 2000-01	
3	222-22-2222	Bennett, Derek	08/24/1999 – 05/15/2000			
4	333-33-3333	Brewbaker, Mark	08/25/2000 – 05/16/2001	x		\$4,300 / 1 / 2001

Date 10/22/2004

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Figure 4.7.4

Sample Low Income Rate
Spreadsheet

How does a school submit an economically disadvantaged appeal?

Timing is critical when submitting an economically disadvantaged appeal. Within 30 calendar days of receiving the school's notice of loss of eligibility, the school must determine if it is eligible to submit an economically disadvantaged appeal and, if so, submit its management's written assertion to Default Management.

Figure 4.7.5

Sample Placement Rate
Spreadsheet

The school must compile a spreadsheet of the students that qualify to be included in the school's low income rate and a spreadsheet of the former students that qualify to be included in either the school's placement rate (if the school is a non-degree granting school) or the completion rate (if the school is a degree granting school). Figure 4.7.4 is a sample low income rate spreadsheet, Figure 4.7.5 is a

School Name: Graphic Tech
 OPE ID: 999999
 Selected 12-Month Period: 06/15/2000 - 06/14/2001
 Placed Students (Column F): 25
 Total Students (Column A): 50
 Placement Rate (Column F / Column A): 50%

FY 2002 Placement Rate Spreadsheet

	A	B	C	D	E	F	G	H	I
1	Student's SSN	Student's Name	Student's Original Completion Date	Student's Enrollment Dates	Student's Program of Study	Student Placed	Student's Employment Dates	Student's Job Description	Student's Employer: Name, Address, and Phone
2	111-11-1111	Siebert, Angela	12/30/2000	08/25/2000 to 12/30/2000	Graphic Design	x	04/03/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
3	222-22-2222	Bennett, Derek	05/15/2000	08/24/1999 to 05/15/2000	Graphic Design	x	05/31/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
4	333-33-3333	Brewbaker, Mark	12/30/2001	08/25/2000 to 05/16/2001	Graphic Design				

Date 10/22/2004

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School Name: Coralville College

OPE ID: 998998

Selected 12-Month Period: 06/30/98 - 06/29/99

Completed Students (Column E): 39

Total Students (Column A): 50

Completion Rate (Column E / Column A): 78%

FY 2002 Completion Rate Spreadsheet

	A	B	C	D	E	F	G	H	I	J
1	Student's SSN	Student's Name	Student's Original Completion Date	Student's Enrollment Dates	Student Completed	Completed Program Date	Student's Program of Study	Student Transfers to Higher Program: Date, School Name, School Address, Program	Student's GPA	Date Student Entered Armed Services
2	111-11-1111	Lindemann, Marcia	05/17/1999	08/26/1995 to 05/17/1999	x	05/17/1999				
3	222-22-2222	Vincent, Richard	05/17/1999	08/26/1995 to 05/16/1998	x					06/01/1998
4	333-33-3333	Smith, Abigail	12/15/1998	01/28/1995 to 05/15/2000	x				4.0	
5	444-44-4444	Wilson, Hannah	05/17/1999	08/26/1995 to 05/17/1999	x		Marine Biology	08/14/1999 Orlando State University, 121 Water Street, Orlando, Florida Master's of Marine Biology		
6	555-55-5555	Michaels, Lily	05/17/1999	08/26/1995 to 12/30/1995						

Date 10/30/2002

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sample placement rate spreadsheet, and Figure 4.7.6 is a sample completion rate spreadsheet. See the blank spreadsheet and the instructions for creating and completing the spreadsheet in the “Economically Disadvantaged Appeal Tools” section of Chapter 4.11, “Challenge, Adjustment, and Appeal Tools.” A school may photocopy and use the blank spreadsheets when submitting an economically disadvantaged appeal or create its own spreadsheets using the layout provided.

It is important to note that a school does not need to wait until receiving the notice of loss of eligibility to begin preparing materials to submit as part of its management's written assertion. If the school believes that it will be subject to sanction after release of the official cohort default rates, and the school believes that it should not be subject to sanction because of its low income rate and placement rate or because of its low income rate and completion rate, the school should begin compiling the spreadsheets in advance of the release of the official cohort default rates.

After completing the spreadsheets, the school should calculate either its low income rate and its placement rate (if it is a non-degree granting school) or its low income rate and its completion rate (if it is a degree granting school). For schools submitting economically disadvantaged appeals based on the school's low income rate and placement rate, the low income rate must be greater or equal to two-thirds and the placement rate must be greater or equal to 44.0 percent for the appeal to be successful. For schools submitting economically

Figure 4.7.6

Sample Completion Rate
Spreadsheet

Figure 4.7.7 - Sample Economically Disadvantaged Appeal Letter**GRAPHICTECH**

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID #999999

Subject: FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID #999999, is submitting a FY 2002 economically disadvantaged appeal based on the school's low income rate and placement rate. It is our management's written assertion that Graphic Tech has an economically disadvantaged rate of 70.0% and a placement rate of 51.4% for the twelve-month period beginning on June 15, 2000 and ending on June 14, 2001. Please see the enclosed spreadsheets.

Graphic Tech has employed Alliance Auditing to review our management's written assertion.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Graphic Tech has also timely submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,



Alexander Peachum
President, Graphic Tech

Enclosures

cc: Alliance Auditing

disadvantaged appeals based on the school's low income rate and completion rate, the low income rate must be greater or equal to two-thirds and the completion rate must be greater or equal to 70.0 percent for the appeal to be successful.

The school then submits its management's written assertion to Default Management. The school must submit the following:

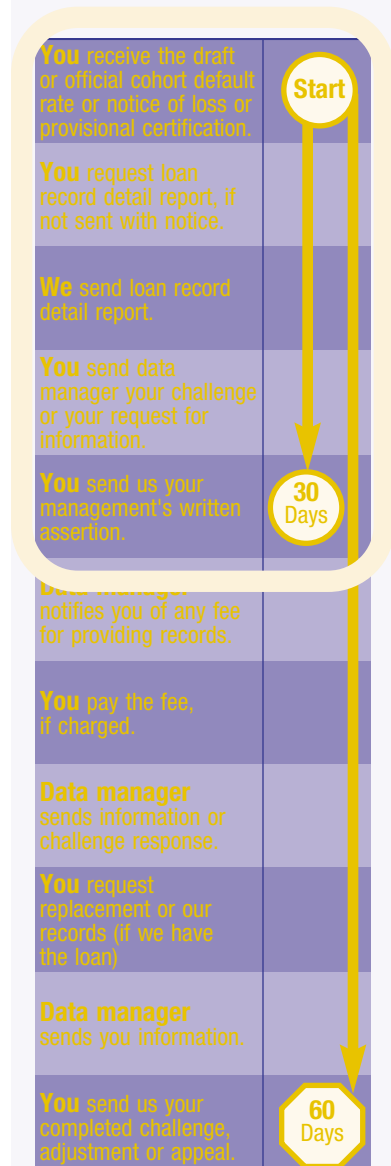
- ❖ The low income rate spreadsheet.
- ❖ The placement rate spreadsheet (if the school is a non-degree granting school) or the completion rate spreadsheet (if the school is a degree granting school).
- ❖ A letter on the school's letterhead.

The letter should include the school's OPE ID number, a statement indicating that the school is submitting economically disadvantaged appeal data, the criteria (either placement rate or completion rate) on which the appeal is based, and the current fiscal year. The letter should feature a subject line that reads "Subject: FY [insert fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter should include a certification that the information provided is true and correct under penalty of perjury, a list of the other adjustments and/or appeals the school is submitting to Default Management, and a statement that the school is sending its management's written assertion to an independent auditor. The school's President/CEO/Owner should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title. Figure 4.7.7 is a sample school economically disadvantaged appeal letter to Default Management.

Which Department addresses should a school use for submitting an economically disadvantaged appeal?

The school must send economically disadvantaged appeal materials to Default Management via commercial courier or the U.S. Postal Service. Default Management will not accept economically disadvantaged appeal correspondence by facsimile (fax) or e-mail. If sent by commercial overnight mail/courier delivery, the address is

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
Portals Building, Room 6300
1250 Maryland Avenue, SW
Washington, DC 20024



If sent by U.S. Postal Service, the address is

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

A school should not send economically disadvantaged appeal materials to any other addresses at the Department.

Default Management recommends that a school send all economically disadvantaged appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the economically disadvantaged appeal correspondence as well as all documentation submitted as a part of the economically disadvantaged appeal process. If a school does not meet the time frame for submitting an economically disadvantaged appeal, the economically disadvantaged appeal will not be reviewed.

How does an independent auditor review the management's written assertion?

An independent auditor must review and attest to the management's written assertion. The school must submit the following materials to an independent auditor:

- ❖ The low income spreadsheet.
- ❖ The placement rate spreadsheet (if the school is a non-degree granting school) or the completion rate spreadsheet (if the school is a degree granting school).
- ❖ Any other materials the auditor requests.
- ❖ A letter on the school's letterhead.

Figure 4.7.8 is a sample school letter to an auditor. The letter should include the school's OPE ID number, a statement indicating that the school is submitting to the auditor economically disadvantaged appeal data, the criteria (either placement rate or completion rate) on which the appeal is based, and the current fiscal year. The letter should feature a subject line that reads "Subject: FY [insert fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter should also

Figure 4.7.8 - Sample School Economically Disadvantaged Appeal Letter to the Auditor**GRAPHICTECH**

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

ATTN: Mr. Anthony Falduto
Alliance Auditing
5220 Brick Street
Evanstowen, Wisconsin 97697-6976

OPE ID #999999

Subject: FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID #999999, is filing a FY 2002 economically disadvantaged appeal based on the school's placement rate. We ask you to review our written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194 to determine if our written assertion meets the requirements for an economically disadvantaged appeal and is fairly stated in all material respects. You should note that our deadline for submitting an independent auditor's written opinion to the U.S. Department of Education is November 29, 2004. Please see the enclosed spreadsheets.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Thank you for your consideration.

Sincerely,



Alexander Peachum
President, Graphic Tech

include a request that the auditor review the written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194. The letter should also include a statement indicating that the deadline for submitting the independent auditor's written opinion is within 60 calendar days of the school receiving the notice of loss of eligibility. Finally, the letter should include a certification that the information provided is true and correct under penalty of perjury. The school's President/CEO/Owner should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title.

Upon reviewing the management's written assertion and any other documentation that the auditor deems appropriate, the auditor must provide an opinion as to whether the written assertion demonstrates that the school meets the criteria for an economically disadvantaged appeal under 34 CFR 668.194. The report must also indicate if the written assertions are fairly stated in all material respects. A school submitting an economically disadvantaged appeal must submit the independent auditor's written opinion to Default Management within 60 calendar days of receiving the notice of loss of eligibility.

The engagement which forms the basis of the independent auditor's written opinion must be an examination-level compliance attestation engagement performed in accordance with the AICPA's Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended. A school may contact the AICPA order department at 1-888-777-7077 to obtain a copy of its standards or visit the AICPA Web site at

<http://www.aicpa.org>

The attestation must also be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States.

The written opinion must be in the form of a letter to Default Management with the school's name, the school's OPE ID number, the fiscal year to which the appeal applies, and the auditor's opinions. The letter should feature a subject line that reads "Subject: FY [insert fiscal year being used in the appeal] Economically Disadvantaged Appeal." The auditor should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title. Figure 4.7.9 is a sample auditor's written opinion letter to Default Management.

**Figure 4.7.9 - Sample Written Opinion Letter
from the Auditor to Default Management**



5220 Brick Street
Evanstown, Wisconsin 97697-6976
1-555-666-7777

November 21, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID #999999

Subject: FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

We have examined the written assertions of the management of Graphic Tech, OPE ID# 999999, stating that the information contained in the economically disadvantaged appeal the school submitted is complete, accurate, and determined in accordance with the requirements of Section 668.194 of Title 34 of the Code of Federal Regulations (34 CFR 668.194). The management of Graphic Tech is responsible for the school's compliance with those requirements. Our responsibility is to express an opinion on management's written assertions about the institution's compliance based on our examination.

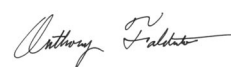
Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and the Government Auditing Standards issued by the Comptroller General of the United States accordingly. We also examined, on a test basis, evidence about Graphic Tech's compliance with 34 CFR 668.194, and performed other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Graphic Tech's compliance with specified requirements.

In our opinion, management's written assertion that Graphic Tech has an economically disadvantaged rate of 70.0% and a placement rate of 51.4% for the twelve-month period beginning on June 15, 2000 and ending on June 14, 2001, is complete, accurate, and determined in accordance with the requirements set forth in 34 CFR 668.194, and is fairly stated, in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

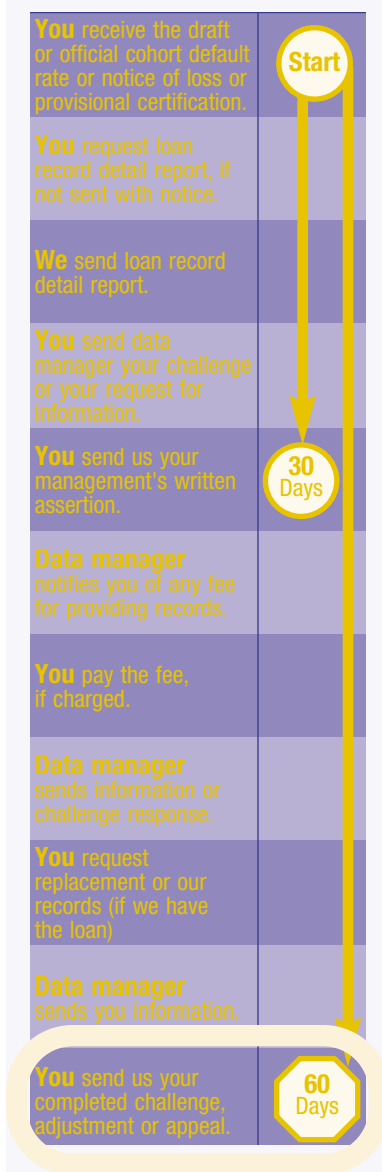
Thank you for your consideration.

Sincerely,



Anthony Falduto
President, Alliance Auditing

cc: Graphic Tech



The school is responsible for ensuring that the independent auditor submits its written opinion to Default Management within the 60 calendar day deadline. If the independent auditor does not submit the written opinion within 60 calendar days of the school receiving the notice of loss of eligibility, Default Management will not review the economically disadvantaged appeal and will return all economically disadvantaged appeal materials to the school.

What happens after the independent auditor submits its written opinion?

Default Management will review only the information submitted with the economically disadvantaged appeal and will not review information submitted after the 60 calendar day deadline. Default Management will send the school written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the economically disadvantaged appeal is successful, Default Management will withdraw the notice of loss of eligibility. If the school was notified that it was subject to sanction and the economically disadvantaged appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of the sanctions.

If a school that is subject to loss of eligibility to participate in the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs loses a cohort default rate adjustment or appeal, the school will be liable for certain costs associated with any FFELs the school certifies and/or any Direct Loans the school originates during a specified liability period. The liability period begins 30 calendar days after the school receives notice that it is subject to loss of eligibility and ends upon the earlier of

- ❖ the withdrawal of the adjustment or appeal,
- ❖ the resolution of the adjustment or appeal, or
- ❖ the 45th calendar day after the date the school submitted the adjustment or appeal to Default Management for review.

A school may avoid a liability associated with an unsuccessful cohort default rate adjustment or appeal if the school chooses not to certify and/or originate loans during the liability period.